

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
RE: HAMPSTEAD AREA WATER COMPANY, INC.

DW-08-

PETITION FOR AUTHORITY TO BORROW LONG TERM DEBT,
TO CONSTRUCT WATER SYSTEM INTERCONNECTION,
APPROVAL TO EXTEND FRANCHISE AREA, AND FOR STEP RATE INCREASE

Hampstead Area Water Company (HAWC) hereby petitions the Public Utilities Commission (the Commission) for authority, pursuant to RSA §369, to borrow One Million One Hundred Thousand Eighty Hundred Eighty Five and 00/100th (\$1,100,885.00) Dollars in long term debt from the Drinking Water State Revolving Fund (SRF), to extend its franchise area and, pursuant to RSA §378:3, for authority to increase its rates to a level that will enable the Company to pay the debt service on such financing and earn a reasonable rate of return on its invested capital. The Company seeks expedited approval of this Petition in order to qualify for low-interest financing which is available for a limited time period. In support of its requests, the Company states as follows:

- 1) HAWC is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in Rockingham County (see Schedule A, attached). HAWC is a New Hampshire corporation, authorized by this Commission to produce and distribute water within the Company's authorized franchise areas throughout southeastern New Hampshire.
- 2) The proposed financing would fund the interconnection of HAWC'S two core systems,

the Atkinson Core System and the Hampstead Core System. This interconnection would be in the best interest for the Company in terms of system operation and resource planning and has the support of the Department of Environmental Services.

- 3) The Company's two core systems extend over most of Hampstead and Atkinson. The proposed franchise area would extend into the area between the two existing core franchise areas. (See Exhibit 1, the Franchise Plan and Exhibit 2, the Franchise Description).
- 4) The Company plans to borrow \$1,100,885.00 from the SRF for the construction of the interconnection. This contemplates the installation of approximately 15,000 feet of pipe along Route 121 between Hampstead and Atkinson, New Hampshire.
- 5) The specific additions of new plant amounting to \$1,100,885.00 are attached as Exhibit 3.
- 6) The State of New Hampshire has preliminarily indicated that it would approve HAWC's request for financing (see SPS-1) subject to various terms and conditions. Generally, the terms and conditions are as follows:
 - a) **The borrowing will amount to \$1,100,885.00.**
 - b) The loan will mature 20 years from the date of closing.
 - c) The interest rate is currently 3.488%.
 - d) The payment of principal and interest based on a 20-year amortization will be due monthly beginning 30 days from the date of closing.
- 7) In order to be able to service this additional debt, the Company requires an increase in revenue of \$85,340, which would require an increase in its existing rates. Based on the projected costs, the Company anticipates an increase of \$.32 per 100 cu. ft. to the

consumption charge.

- 8) The State of New Hampshire's commitments are subject to receipt of Commission approval of the financing and the rate increase. The State of New Hampshire needs regulatory assurance that the Commission will authorize the rate increase to a level sufficient to pay the debt service.
- 9) The borrowings being proposed by the Company are in the public interest and consistent with the public good because it enhances the Company's ability to provide safe and reliable drinking water to its customers in its franchise areas at a reasonable cost. The interconnection will provide stability to the two core systems both as to water supply and emergency supply. The system improvements being proposed and the estimated cost of the improvements are reasonably necessary to provide such service to the Company's customers.
- 10) The planned route for this interconnection is from the Hampstead Core system Route 121 and following Route 121 to the Atkinson Core system. This project would be proceeding through a portion Atkinson that is not presently franchised by the Company. It is anticipated that homeowners along the route would be connecting to the system in the future and as well as providing service to parcels that are currently developed or that will be developed in the future. Accordingly, the Company is proposing to franchise that area which lies between Hampstead and Atkinson as shown on the Franchise Plan and described in the Franchise Description.
- 11) Simultaneously with this petition the Company is filing the direct testimony of Stephen P. St. Cyr (Exhibit 4) and related exhibits, as well as the direct testimony of Harold Morse,

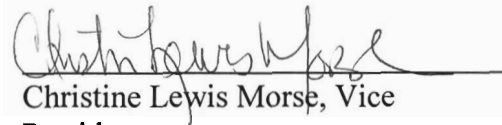
President of the Company (Exhibit 5). The direct testimony of Stephen P. St. Cyr describes the purpose of the financing, the proposed financing and the utilization of the funds from such financing. The exhibits include the State of New Hampshire's letter of commitment, the cost of the financing, the accounting and financial aspects of this borrowing. The direct testimony of Harold Morse describes the project, the reasons for the interconnection and the reasons for the franchise request.

WHEREFORE, Hampstead Area Water Company respectfully request that the Commission:

- A. Authorize the Company to borrow \$1,100,885.00 from the State of New Hampshire in accordance with the terms and conditions for the construction of new interconnection of the Hampstead Core System and the Atkinson Core System.
- B. Find that the execution of loan documents by the Company for purpose of consummating the aforementioned financing is consistent with the public good;
- C. Find that the use of the proceeds from the proposed financing and the amounts proposed to be spent by the Company for such improvements is prudent and consistent with the public interest;
- D. Authorize the Company to increase its rate by such amounts as to enable the Company to recover its investment and earn a reasonable rate of return on such investment;
- E. Approve an expansion of the franchise as requested and
- F. Grant such other and further relief as may be just and reasonable.

Dated:

Respectfully submitted,
Hampstead Area Water Co., Inc.



Christine Lewis Morse, Vice
President